

**Ithaca Public Schools  
Ithaca, Michigan**

**Annual Financial Statements  
and  
Auditors' Report  
June 30, 2005**

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**Ithaca Public Schools**  
**Ithaca, Michigan**  
**Members of the Board of Education and Administration**  
**June 30, 2005**

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Members of the Board of Education

THOMAS WIDEMAN	PRESIDENT
MICHAEL CHAFFIN	VICE-PRESIDENT
CATHERINE RAYBURN	SECRETARY
MARITA HARKNESS	TREASURER
DON MACHA	TRUSTEE
TOM MACDONALD	TRUSTEE
JANINE PALMER	TRUSTEE

Administrati on

CHARLES SCHNETZLER	SUPERINTENDENT
STEVE NETZLEY	ASSISTANT SUPERINTENDENT
ROSEMARY DUCKWORTH	BOOKKEEPER/SECRETARY
TOM NEUENFELDT	HIGH SCHOOL PRINCIPAL
JAN BEAMISH	MIDDLE SCHOOL PRINCIPAL
KATHY PAUL	NORTH ELEMENTARY PRINCIPAL
TERRI BROWN	SOUTH ELEMENTARY PRINCIPAL



7810 N. Alger Rd.  
Alma, MI 48801  
Phone (989) 463-6108  
Fax (989) 463-8560

## Independent Auditors' Report

To the Board of Education  
Ithaca Public Schools  
Ithaca, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Ithaca Public Schools as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ithaca Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ithaca Public Schools as of June 30, 2005 and the respective changes in financial position, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2005 on our consideration of the Ithaca Public Schools' internal control over financial reporting and on our tests of its provisions of laws, regulations and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The administration's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Ithaca Public Schools' basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Yeo & Yeo, P.C.*

Alma, Michigan  
August 25, 2005

**Ithaca School Public School District**  
**Administration's Discussion and Analysis**  
**For the Year Ended June 30, 2005**

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Ithaca Public Schools (the District) Administration discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2005.

This is the third year of GASB 34 implementation. The following is an illustration on how this financial report is presented.

**MD&A**

Administration's Discussion  
And Analysis  
(required supplementary information – new)

**Basic Financial Statements**

Fund  
District –wide Financial Statements  
(refocused)  
  
Notes to the financial statements  
(expanded / restructured)

**Supplementary Information**

Required supplementary information  
(other than MD & A expanded)

As indicated in the illustration, GASB 34 requires the presentation of two basic types of financial statements: District Wide Financial Statements and Fund Financial Statements .

**Ithaca Public Schools**  
**Administration's Discussion and Analysis**  
**For the Year Ended June 30, 2005**

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**District Wide Financial Statements**

The District wide statements provide a perspective of the District as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two District wide statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless if they are currently available or not.

Consistent with the full accrual basis method of accounting the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various District services.

**Fund Financial Statements**

The fund statements are similar to financial presentations with the focus on the District's Major Funds rather than fund types as in the past. The two Account Groups: General Fixed Assets and General Long Term Debt are no longer reported. Consistent with previous years, the fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period those goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year and future debt obligations are not recorded.

Fund types include the General Fund, Special Revenue Fund, Debt Retirement Fund, and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions and grants and other intergovernmental revenues. The Special Revenue Fund is comprised of Athletic Activities and Food Service. The Debt Fund is used to record the funding and payment of principal and interest on bonded debt. The Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for various student groups and related activities.



**Ithaca Public Schools**  
**Administration's Discussion and Analysis**  
**For the Year Ended June 30, 2005**

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**Financial Analysis of the District as a Whole with Previous Year Comparisons**

**Summary of Net Assets**

	<u><b>2003-2004</b></u>	<u><b>2004-2005</b></u>
<b>Assets</b>		
Current assets	\$2,966,980	\$2,902,353
Capital assets	7,818,473	7,885,720
Less accumulated depreciation	<u>(5,138,735)</u>	<u>(5,313,581)</u>
Capital assets, net book value	<u>2,679,738</u>	<u>2,572,139</u>
Total assets	<u><b>\$5,646,718</b></u>	<u><b>\$5,474,492</b></u>
<b>Liabilities</b>		
Current liabilities	\$1,201,145	\$1,149,318
Long-term liabilities	<u>3,771,595</u>	<u>3,474,921</u>
Total liabilities	4,972,740	4,624,239
<b>Net assets</b>		
Total capital assets, net of related debt	(1,085,936)	(1,013,535)
Restricted	57,456	65,160
Unrestricted	<u>1,702,458</u>	<u>1,798,628</u>
<b>Total net assets</b>	<u><b>\$673,978</b></u>	<u><b>\$850,253</b></u>

**Ithaca Public Schools**  
**Administration's Discussion and Analysis**  
**For the Year Ended June 30, 2005**

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**Summary of Net Assets**

As indicated by the statement above, total net assets are \$850,253. Net assets can be separated into three categories: net capital assets net of related debt, restricted assets, and unrestricted assets.

Net capital assets are a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. The original cost of capital assets is \$7,885,720, which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation is \$5,313,581. Most capital asset acquisitions are financed through long-term debt. Primarily, long-term debt is repaid as the debt service comes due through property taxes approved by the voters. Total general obligation bonds are \$3,435,000.

Restricted assets consist of debt retirement, totaling \$65,160.

The remaining \$1,798,628 is unrestricted. The unrestricted fund balance is an accumulation of prior years' operating results. This balance is directly affected each year by the District's operating results.

**Ithaca Public Schools**  
**Administration's Discussion and Analysis**  
**For the Year Ended June 30, 2005**

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**Results of Operations with Previous Year Comparisons**

	<u><b>2003-2004</b></u>		<u><b>2004-2005</b></u>	
	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>% of Total</b>
<b>Program revenue</b>				
Charges for services	\$ 517,674	4.3%	\$ 520,891	4.2%
Operating grants and contributions	1,721,973	14.3%	1,907,744	15.2%
General revenue	<u>9,844,367</u>	<u>81.40%</u>	<u>10,115,161</u>	<u>80.6%</u>
<b>Total Revenue</b>	<b>\$12,084,094</b>	<b>100%</b>	<b>\$12,543,796</b>	<b>100.0%</b>
<b>Expenses</b>				
Instruction	\$6,911,342	57.4%	\$7,253,374	58.7%
Support services	3,609,220	30.0%	3,611,633	29.2%
Food service	490,727	4.1%	529,292	4.3%
Athletic activities	310,508	2.6%	298,515	2.4%
Community services	197,423	1.7%	212,832	1.7%
Interest on long-term debt	173,910	1.5%	159,519	1.3%
Intergovernmental payment	11,922	0.1%	0	0.0%
Capital outlay	131,502	1.1%	127,510	1.0%
Depreciation	<u>183,652</u>	<u>1.5%</u>	<u>174,846</u>	<u>1.4%</u>
<b>Total expenses</b>	<b>\$12,020,206</b>	<b>100%</b>	<b>\$12,367,521</b>	<b>100.0%</b>
<b>Increase in net assets</b>	<b><u>\$63,888</u></b>		<b><u>\$176,275</u></b>	

As indicated above net assets increased by \$176,275.

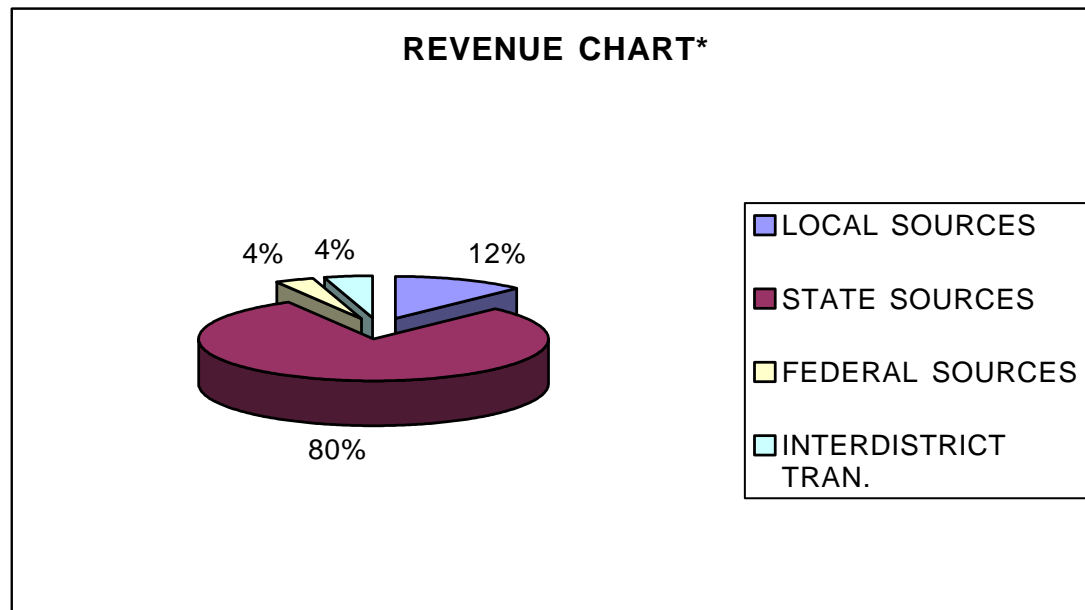
**Ithaca Public Schools  
Administration's Discussion and Analysis  
For the Year Ended June 30, 2005**

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**Revenues**

The following chart illustrates the District's sources of revenues by percentages:

\*Revenue chart is based on all District Funds combined



**Sources of Revenues**

Local sources of revenues total \$1,530,269 and include revenues to the General Fund of \$773,372, Debt Fund of \$331,982, Athletic Fund of \$96,051 and Food Service Fund of \$328,864.

**Ithaca Public Schools**  
**Administration's Discussion and Analysis**  
**For the Year Ended June 30, 2005**

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State sources of revenue total \$10,013,780, and include revenues to the General Fund of \$9,987,660, Food Service Fund of \$26,120. Included in the state sources of revenue is the membership foundation allowance of \$9,084,342 in the General Fund, \$406,994 in the Special Education Funds and \$105,705 in Renaissance Zone funding. State sources of revenue make up 80% of General Fund revenues. This ties the district directly to the State's overall economy.

Federal sources of revenue total \$454,766 and include revenue to the General Fund of \$289,226 and Food Service Fund of \$165,540.

Inter-district sources of revenue total \$544,981 to the General Fund. The major source of revenue is the County special education tax.

**Property Taxes**

A portion of local revenue is provided from property taxes for the General Fund and Debt Retirement Fund. Property tax revenue totaled \$987,318. This amount is obtained through a voter approved 18.00-mill levy on the taxable value of non-homestead properties for the District's operations and a voter approved 2.23-mill levy on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments. Over the last 5 years taxable values have increased each year on average of 5.56%, for homestead and non-homestead properties, combined. The following table illustrates this increase:

**TAXABLE VALUE GROWTH HISTORY**

<b>YEAR</b>	<b>TAXABLE VALUE</b>	<b>GROWTH</b>
1999	\$115,527,403	
2000	\$122,835,917	6.33%
2001	\$130,565,635	6.29%
2002	\$139,787,110	7.06%
2003	\$146,195,363	4.58%
2004	\$153,927,608	5.29%
2005	\$160,973,011	4.58%

**Ithaca Public Schools**  
**Administration's Discussion and Analysis**  
**For the Year Ended June 30, 2005**

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**Unrestricted State Aid Foundation Allowance**

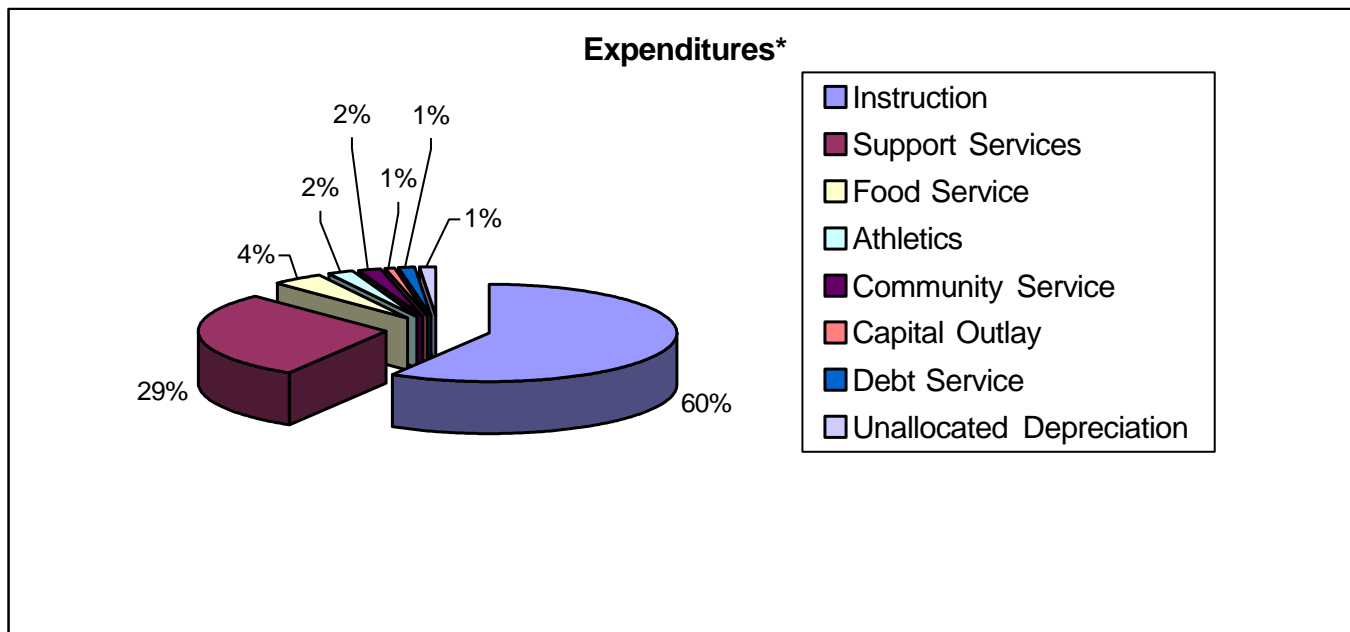
A significant portion of state funding to the District is through the foundation allowance. The foundation allowance is funding from the state for each student set annually. The District's foundation allowance is \$6,700 per student for the 2004 – 2005 fiscal year. This is an increase of over the District's 2003 – 2004 foundation allowance of \$6,626 per student. The number of students to be funded is calculated by student enrollment blended at 75% of current year September count and 25% of prior year February count. Total blended student enrollment for this fiscal year is 1,517.60. The overall funding is then reduced by the District's non-homestead tax levy based on 18.0-mills.

**Ithaca Public Schools  
Administration's Discussion and Analysis  
For the Year Ended June 30, 2005**

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**Expenses**

The following chart illustrates the District's expenses by percentages:



\*Expense chart is based on all District Funds combined.

Expenses include Instruction of \$7,253,374, Support Services of \$3,611,633, Community Services of \$212,832, Food Service Funds of \$529,292, Athletics Service Funds of \$298,515, capital outlay of \$127,510, debt service of \$159,519, and unallocated depreciation of \$174,846.

**Ithaca Public Schools**  
**Administration's Discussion and Analysis**  
**For the Year Ended June 30, 2005**

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**Capital Assets and Debt Administration**

**Capital Assets**

At June 30, 2005, the District had \$2,572,139 invested in a broad range of capital assets, including land, buildings, furniture and equipment.

<b>Assets</b>	<b><u>2004</u></b>	<b><u>2005</u></b>
Land	\$1,229,558	\$1,229,558
Buildings and additions	3,840,891	3,840,891
Site Improvements	491,410	491,410
Buses and other vehicles	981,104	1,041,856
Furniture and equipment	<u>1,275,510</u>	<u>1,282,005</u>
Subtotal	\$7,818,473	\$7,885,720
Less accumulated depreciation	(5,138,735)	(5,313,581)
	<b><u>\$2,679,738</u></b>	<b><u>\$2,572,139</u></b>

**Debt**

At the end of this fiscal year, the District had \$3,435,000 in General Obligation Bonds outstanding. This is a decrease of \$180,000 from last year. Other outstanding debt includes the 2002 retirement incentive of \$177,500. This is a decrease of \$97,500 from last year.

**Economic Factors and Next Year's Budgets and Rates**

The Board of Education and administration consider many factors when setting the School District's 2006 fiscal year budget. Two of the major factors affecting the budget are the student count and the State funding of the unrestricted foundation allowance. As stated earlier in this report the state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2006 fiscal year is 25 percent and 75 percent of the February 2004 and September 2004 student counts respectively. The 2006 budget was



**Ithaca Public Schools**  
**Administration's Discussion and Analysis**  
**For the Year Ended June 30, 2005**

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adopted in June 2005, based on an estimate of students that will be enrolled in September 2005. As a result, district funding is heavily dependent on the state's ability to fund local school operations.

Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations. Since the District's revenue is heavily dependent upon state funding, actual funding depends on the state's ability to collect revenues to fund its appropriations to school districts.

- The 2004-2005 fiscal year is the second year of a three-year labor contract with Ithaca Education Association. This three-year agreement was ratified June 17, 2004.
- The 2004-2005 fiscal year is the second year of the labor contract with the International Union of Operating Engineers. This contract is a three-year contract with a re-opener for financial issues in year two and three.

**Original vs. Actual Budget**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, the District amends its budget twice during the school year. For fiscal year 2004-2005, the budget was amended in November 2004 and February 2005.

**Ithaca Public Schools**  
**Administration's Discussion and Analysis**  
**For the Year Ended June 30, 2005**

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**General Fund Revenues**

Total Revenues – Final Budget	\$11,584,629
Total Revenues – Original Budget	<u>11,331,275</u>
<b>Difference</b>	<b><u>\$253,354</u></b>

**Increase in Revenue Budget**

The District's final general fund revenues were greater than originally budgeted by \$253,354, a variance of 2.2%.

Some of the significant revised budget adjustments for the year include:

- Budgeted for a \$25 pro-ration which did not occur increasing our revenue by \$37,925.
- Increase in MSR4's grant increased State funding by \$59,400.
- Decrease in At Risk Grant decreased State funding by \$56,312.
- Decrease in Title I funding of \$19,160.
- Budgeted for an 18 F.T.E increase, actual increase was 33 F.T.E. increasing revenue by \$100,500.
- Increase in Special Education Headlee 51C of \$28,669.
- Increase in the County Special Education Tax of \$160,954.
- There were numerous other increases and decrease in revenue spread out over multiple programs

**Ithaca Public Schools**  
**Administration's Discussion and Analysis**  
**For the Year Ended June 30, 2005**

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**General Fund Expenditures**

Total Expenditures – Final Budget	\$11,562,450
Total Expenditures – Original Budget	<u>\$11,823,233</u>
<b>Difference</b>	<b><u>\$260,783</u></b>

**Increase in Expenditure Budget**

The District's final general fund budgeted expenditures were less than the original budget by 2.2%.

Some of the significant revised budget adjustments for the year include:

- Increased tuition payments for vocational education by \$14,569 due to increased enrollment.
- Saved \$18,768 in custodial/maintenance health insurance.
- Lower than expected Psychological Services - \$12,934.
- Lower than expected technical support - \$14,925.
- Lower than expected self funded dental insurance expenses - \$13,734.
- Lower than expected self funded vision insurance expenses - \$22,691.
- Saved \$8,761 due to resignation of Special Education teacher.
- Saved \$12,128 by not filling an aide position at North Elementary .
- Saved \$31,128 in high school staff expenditures due to an illness.
- Multiple changes were made in the Title I, At-Risk and MSR4's budgets due to loss of funding.
- There were multiple other increases and decreases in expenditures spread out over multiple programs.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Superintendent of Schools at the Ithaca Public School District, 710 North Union Street, Ithaca, Michigan, 48447.

**Ithaca Public Schools**  
**Statement of Net Assets**  
**June 30, 2005**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets	
Cash	\$ 1,029,580
Assets held by others	28,959
Accounts receivable	3,482
Due from other governmental units	1,838,042
Inventory	<u>2,290</u>
Total current assets	2,902,353
Noncurrent assets	
Capital assets	
Land	1,229,558
Buildings and additions	3,840,891
Site improvements	491,410
Buses and other vehicles	1,041,856
Furniture and equipment	1,282,005
Less: accumulated depreciation	<u>(5,313,581)</u>
Total noncurrent assets	<u>2,572,139</u>
Total assets	<u>5,474,492</u>

**Ithaca Public Schools**  
**Statement of Net Assets**  
**June 30, 2005**

	<u>Governmental Activities</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	\$ 105,338
Due to employees	4,353
Building and site bonds payable, current portion	190,000
Durant bonds payable, current portion	11,416
Accrued interest	41,223
Retirement incentives, current portion	97,500
Payroll deductions and withholdings and payroll related accrued liabilities	57,172
Accrued salaries payable	618,034
Deferred revenue	<u>24,282</u>
Total current liabilities	1,149,318
Noncurrent liabilities	
Building and site bonds payable, long-term portion	3,245,000
Durant bonds payable	139,258
Compensated absences payable	10,663
Retirement incentives, long-term portion	<u>80,000</u>
Total noncurrent liabilities	<u>3,474,921</u>
Total liabilities	<u>4,624,239</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	(1,013,535)
Restricted for:	
Debt service	65,160
Unrestricted	<u>1,798,628</u>
Total net assets	<u><u>\$ 850,253</u></u>

**Ithaca Public Schools**  
**Statement of Activities**  
**Year Ended June 30, 2005**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Functions/Programs</b>			Capital Grants and Contributions	
Governmental activities				
Instruction	\$ 7,253,374	\$ 97,054	\$ -	\$ (5,440,236)
Supporting services	3,611,633	-	-	(3,611,633)
Food services	529,292	327,786	-	(9,846)
Athletics	298,515	96,051	-	(202,464)
Community services	212,832	-	-	(212,832)
Interest on long-term debt	159,519	-	-	(159,519)
Capital outlay (uncapitalized)	127,510	-	-	(127,510)
Depreciation- unallocated	174,846	-	-	(174,846)
Total governmental activities	<u>\$ 12,367,521</u>	<u>\$ 520,891</u>	<u>\$ 1,907,744</u>	<u>\$ -</u>
General revenues				
Property taxes, levied for general purposes				658,665
Property taxes, levied for debt service				328,653
State aid - unrestricted				9,084,342
Interest and investment earnings				13,563
Other				29,938
Total general revenues				<u>10,115,161</u>
Change in net assets				176,275
Net assets - beginning				<u>673,978</u>
Net assets - ending				<u>\$ 850,253</u>

**Ithaca Public Schools**  
**Balance Sheet - Governmental Funds**  
**June 30, 2005**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 852,480	\$ 177,100	\$ 1,029,580
Assets held by others	28,959	-	28,959
Accounts receivable	-	3,482	3,482
Due from other funds	26,982	-	26,982
Due from other governmental units	1,838,042	-	1,838,042
Inventory	-	2,290	2,290
	<hr/>	<hr/>	<hr/>
Total assets	\$ 2,746,463	\$ 182,872	\$ 2,929,335
	<hr/>	<hr/>	<hr/>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 98,727	\$ 6,611	\$ 105,338
Due to other funds	-	26,982	26,982
Due to employees	4,353	-	4,353
Payroll deductions and withholdings and payroll related accrued liabilities	57,172	-	57,172
Accrued salaries payable	610,536	7,498	618,034
Deferred revenue	24,282	-	24,282
	<hr/>	<hr/>	<hr/>
Total liabilities	795,070	41,091	836,161
<b>Fund Balance</b>			
Reserved for debt service	-	91,142	91,142
Reserved for inventory	-	2,290	2,290
Designated for North Elementary's new roof	200,000	-	200,000
Other undesignated	1,751,393	48,349	1,799,742
	<hr/>	<hr/>	<hr/>
Total fund balance	1,951,393	141,781	2,093,174
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	\$ 2,746,463	\$ 182,872	\$ 2,929,335
	<hr/>	<hr/>	<hr/>

**Ithaca Public Schools**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets**  
**June 30, 2005**

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**Total fund balances for governmental funds** \$ 2,093,174

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Those assets consist of:

Land	\$ 1,229,558	
Buildings and additions	3,840,891	
Site improvements	491,410	
Furniture and equipment	1,282,005	
Buses and other vehicles	1,041,856	
Less: accumulated depreciation	<u>(5,313,581)</u>	2,572,139

Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Current-term liabilities balances as of June 30, 2005 are as follows:

Building and site bonds payable	(190,000)	
Durant bonds payable	(11,416)	
Accrued interest payable	(41,223)	
Retirement incentives payable	<u>(97,500)</u>	(340,139)

Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities balances as of June 30, 2005 are as follows:

Compensated absences payable	(10,663)	
Retirement incentives payable	(80,000)	
Building and site bonds payable	(3,245,000)	
Durant bonds payable	<u>(139,258)</u>	(3,474,921)

\$ 850,253

**Net assets of governmental activities**



**Ithaca Public Schools**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**Year Ended June 30, 2005**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 773,372	\$ 756,897	\$ 1,530,269
State sources	9,987,660	26,120	10,013,780
Federal sources	289,226	165,540	454,766
Interdistrict sources	544,981	-	544,981
	<u>11,595,239</u>	<u>948,557</u>	<u>12,543,796</u>
Total revenues			
Expenditures			
Current			
Education			
Instruction	7,317,197	-	7,317,197
Supporting services	3,643,068	-	3,643,068
Food services	-	529,292	529,292
Athletics	-	298,515	298,515
Community services	212,832	-	212,832
Capital outlay	185,594	9,163	194,757
Debt service	-	340,869	340,869
	<u>11,358,691</u>	<u>1,177,839</u>	<u>12,536,530</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	236,548	(229,282)	7,266
Other financing sources (uses)			
Transfers in	-	198,359	198,359
Transfers out	(198,359)	-	(198,359)
	<u>(198,359)</u>	<u>198,359</u>	<u>-</u>
Total other financing sources and uses			
Net change in fund balance	38,189	(30,923)	7,266
Fund balance - beginning	1,913,204	172,704	2,085,908
Fund balance - ending	<u>\$ 1,951,393</u>	<u>\$ 141,781</u>	<u>\$ 2,093,174</u>

**Ithaca Public Schools**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2005**

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<b>Net change in fund balances - total governmental funds</b>	<b>\$ 7,266</b>
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	\$ (174,846)
Capital outlay	<u>67,247</u>
	(107,599)
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	
Repayments of long-term debt	<u>180,000</u>
	180,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in compensated absences payable	(2,242)
Change in retirement incentives payable	97,500
Change in accrued interest on bonds	<u>1,350</u>
	<u>96,608</u>
<b>Change in net assets of governmental activities</b>	<b><u>\$ 176,275</u></b>

**Ithaca Public Schools**  
**Statement of Fiduciary Net Assets**  
**June 30, 2005**

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	Private Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash	\$ 65,886	\$ 145,498
<b>Liabilities</b>		
Due to student activities	-	145,498
<b>Net assets</b>		
Reserved for scholarships and loans	<u>\$ 65,886</u>	<u>\$ -</u>

**Ithaca Public Schools**  
**Statement of Changes in Fiduciary Net Assets - Private Purpose Trust Funds**  
**Year Ended June 30, 2005**

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	<u>Private Purpose Trust Funds</u>
Additions	
Local sources	\$ 7,449
Deductions	
Scholarships	<u>4,145</u>
Change in net assets	3,304
Net assets - beginning	<u>62,582</u>
Net assets - ending	<u><u>\$ 65,886</u></u>

**Ithaca Public Schools**  
**Notes to Financial Statements**  
**June 30, 2005**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Ithaca Public Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

**District-wide Financial Statements**

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted

net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, interest and investment earnings, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from current year activities.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both

**Ithaca Public Schools**  
**Notes to Financial Statements**  
**June 30, 2005**

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measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental fund:

*General Fund* – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

*Special Revenue Funds* – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service and Athletic Funds. The annual operating surplus or deficit generated by these activities is generally transferred to or from the General Fund.

*Debt Service Fund* – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

*Fiduciary Funds* – Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

### **Assets, Liabilities and Equity**

*Deposits and assets held by others* – Cash includes cash on hand, demand deposits and short term investments with a maturity of three months or less when acquired. Assets held by others includes cash held by the Gratiot Community Foundation.

*Receivables and Payables* – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property taxes and other trades receivable are shown net of an allowance for uncollectible amounts.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2005, the General Fund rate was 18.0000 per \$ 1,000 of non-homestead assessed value, and the Debt Fund rate was 2.030 per \$ 1,000 of both homestead and non-homestead assessed value.

**Ithaca Public Schools**  
**Notes to Financial Statements**  
**June 30, 2005**

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School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 81% of the School District's tax roll lies within the City of Ithaca and the Townships of Newark and New Haven.

Property taxes are assessed as of December 31 and attach as an enforceable lien on July 1 of the following year. School property taxes are levied on December 1 and July 1 and are due on or before March 1 and October 31, respectively. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Gratiot and remitted to the School District before fiscal year end.

**Inventories** – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

**Compensated Absences** – Sick days are earned by teachers at the rate of one day per school month (10 days per year). A

maximum of 30 unused sick days may be accumulated by an employee. Upon retirement or termination of employment, unused sick days are forfeited. There is no contractual provision for payment of unused vacation. They may be used for vacation only.

Employees who are not teachers are awarded sick days at the rate of 1 ¼ days per month, accumulative to 45 days. There is no contractual provision for payment of unused sick days. Vacation days are accumulated based on years of service, up to a maximum of 20 days. Retiring employees are paid for vacation days up to the maximum number of days accumulated. There is no contractual provision for payment of unused vacation days for teachers.

The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated vacation leave balances. The amount reported is salary related and includes no fringe benefits, since the amount of said benefits would be immaterial.

**Long-term Obligations** – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Ithaca Public Schools**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Comparative Data**

Comparative data is not included in the School District's financial statements.

**Eliminations and Reclassifications**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

**Economic Dependency**

The School District received approximately 86% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source, the School District is considered to be economically dependent on the Michigan Department of Education.

**Concentrations**

Approximately 51% of the School District's employees work under collective bargaining agreements. The teacher contract, which represents approximately 45% of employees, will expire on June 30, 2006.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

Appropriations lapse at year-end and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.



**Ithaca Public Schools**  
**Notes to Financial Statements**  
**June 30, 2005**

**Excess of Expenditures over Appropriations**

During the year ended June 30, 2005, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Total Budget	Amount of Expenditures	Budget Variances
<b>General Fund</b>			
Basic Programs			
Added Needs	\$ 1,217,645	\$ 1,275,133	\$ 57,488
Supporting Services			
Business	125,999	127,806	1,807
Operations and Maintenance	1,098,696	1,103,434	4,738
Pupil transportation	515,196	515,367	171
Community service			
Community recreation	154,256	160,043	5,787
Other community services	52,179	52,789	610
Capital outlay	182,655	185,594	2,939
Other uses - operating transfers	197,368	198,359	991
<b>Special Revenue Funds</b>			
Food service fund	516,008	538,455	22,447
Athletic fund	297,566	298,515	949

that would further limit its investment choices. As of June 30, 2005, the District has no investments.

Concentration of credit risk – The District has no policy that would limit the amount that may be invested with any one issuer.

At year end, the School District's deposits (checking, savings accounts, and certificates of deposit) were reported in the basic financial statements as follows:

	Governmental Activities	Fiduciary Funds	Primary Government
Cash	\$ 1,029,580	\$ 211,384	\$ 1,240,964

The breakdown between deposits and investments for the School District is as follows:

Custodial credit risk – deposits - The deposits of the School District were reflected in the accounts of financial institutions at \$ 1,492,814 of which \$ 105,873 is covered by federal depository insurance. The remaining \$ 1,386,941 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Credit risk - State statutes authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District has no investment policy

**Ithaca Public Schools**  
**Notes to Financial Statements**  
**June 30, 2005**

**NOTE 4 - CAPITAL ASSETS**

A summary of the changes in governmental capital assets is as follows:

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Assets not being depreciated				
Land	\$ 1,229,558	\$ -	\$ -	\$ 1,229,558
Other capital assets				
Buildings and additions	3,840,891		-	3,840,891
Site improvements	491,410	-	-	491,410
Buses and other vehicles	981,104	60,752		1,041,856
Furniture and equipment	<u>1,275,510</u>	<u>6,495</u>	<u>-</u>	<u>1,282,005</u>
				-
Subtotal	<u>7,818,473</u>	<u>67,247</u>	<u>-</u>	<u>7,885,720</u>
Accumulated depreciation				
Buildings and additions	(2,868,372)	(70,535)	-	(2,938,907)
Site improvements	(418,885)	(12,015)	-	(430,900)
Buses and other vehicles	(719,317)	(67,478)		(786,795)
Furniture and equipment	<u>(1,132,161)</u>	<u>(24,818)</u>	<u>-</u>	<u>(1,156,979)</u>
Subtotal	<u>(5,138,735)</u>	<u>(174,846)</u>	<u>-</u>	<u>(5,313,581)</u>
Net capital assets	<u>\$ 2,679,738</u>	<u>\$ (107,599)</u>	<u>\$ -</u>	<u>\$ 2,572,139</u>

Depreciation for the fiscal year ended June 30, 2005 amounted to \$ 174,846. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE AND TRANSFERS**

Individual interfund receivable and payable balances at June 30, 2005 were:

Fund	Receivable	Payable	Purpose
General Fund	\$ 26,982	\$ -	Reimbursement of expenditures paid by other funds
Food Service Fund	-	26,982	Reimbursement of expenditures paid by other funds
	<u>\$ 26,982</u>	<u>\$ 26,982</u>	

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers were made during the year ended June 30, 2005 between the General Fund and the Athletics Fund totaling \$ 198,359. These transfers were made to cover the costs of the School District's programs that were in excess of revenues generated from those activities.

**Ithaca Public Schools**  
**Notes to Financial Statements**  
**June 30, 2005**

**NOTE 6 - DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unearned</u>
Grant and categorical and payments received prior to meeting all eligibility requirements	<u>24,282</u>
<b>Total</b>	<b><u>\$ 24,282</u></b>

**NOTE 7 - STATE AID ANTICIPATION NOTE**

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30<sup>th</sup>.

Short-term debt activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	\$ -	\$ 950,000	\$ 950,000	\$ -

**NOTE 8 - LONG-TERM DEBT**

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and termination benefits.

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Government obligation bonds	\$ 3,615,000	\$ -	\$ 180,000	\$ 3,435,000	\$ 190,000
Other bonds	150,674	-	-	150,674	11,416
Compensated absences	8,421	2,242	-	10,663	-
Retirement benefits	<u>275,000</u>	<u>-</u>	<u>97,500</u>	<u>177,500</u>	<u>97,500</u>
<b>Total</b>	<b><u>\$ 4,049,095</u></b>	<b><u>\$ 2,242</u></b>	<b><u>\$ 277,500</u></b>	<b><u>\$ 3,773,837</u></b>	<b><u>\$ 298,916</u></b>

**Ithaca Public Schools**  
**Notes to Financial Statements**  
**June 30, 2005**

General obligation bonds payable at June 30, 2005 consists of the following:

\$ 3,910,000 1999 refunding bond due in  
annual installments of \$ 190,000 to \$ 220,000 through  
May 1, 2021, interest at 3.95% to 4.90% \$ 3,435,000

Total general obligation bonded debt \$ 3,435,000

Future principal and interest requirements for bonded debt is as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 190,000	\$ 153,868	\$ 343,868
2007	195,000	146,362	341,362
2008	200,000	138,464	338,464
2009	210,000	130,266	340,266
2010	220,000	121,550	341,550
2011-2015	1,100,000	465,410	1,565,410
2016-2020	1,100,000	213,180	1,313,180
2021	<u>220,000</u>	<u>10,780</u>	<u>230,780</u>
	<u>\$ 3,435,000</u>	<u>\$ 1,379,880</u>	<u>\$ 4,814,880</u>

The general obligation bonds are payable from the Debt Service Funds. As of June 30, 2005, the fund had a balance of \$ 91,142 to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$ 235,847 Durant Refunding serial bonds due in  
annual installments through 5/15/2013; interest at 4.76%  
due annually \$ 150,674

These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

	Principal	Interest	Total
2006	\$ 11,416	\$ 5,146	\$ 16,562
2007	11,957	4,602	16,559
2008	55,123	23,032	78,155
2009	13,126	3,437	16,563
2010	13,750	2,812	16,562
2011-2013	<u>45,302</u>	<u>4,381</u>	<u>49,683</u>
	<u>\$ 150,674</u>	<u>\$ 43,410</u>	<u>\$ 194,084</u>

**Compensated Absences**

Accrued compensated absences at June 30, 2005 consist of \$ 10,663 of vacation hours earned and vested.

**Ithaca Public Schools**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Retirement Benefits**

The School District offered a voluntary severance incentive plan to employees to be paid over a five year period through 2007. The balance as of June 30, 2005 was \$ 177,500.

Future payments are as follows:

Year Ending June 30,	
2006	97,500
2007	<u>80,000</u>
	<u>\$ 177,500</u>

Interest expenditures for fiscal year 2005, in the General Fund and Debt Service Funds were \$ 8,922 and \$ 160,798, respectively.

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method the School District must reimburse the Employment Commission for all benefits charged against the School District for the year. The School District had unemployment compensation expense of \$ 11,329 for the year ended June 30, 2005. No provision has been made for possible future claims.

The School District participates in a public entity risk pool through the School Employers Group. With the exception of unemployment described above, this program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in

excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements for the year ended June 30, 2005.

**NOTE 10 - DEFINED BENEFIT PENSION PLAN**

**Plan Description**

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPERS), which is a cost-sharing public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to:

Office of Retirement Services  
P.O. Box 30171  
Lansing, Michigan 48909-7671  
800-381-5111

# Ithaca Public Schools

## Notes to Financial Statements

### June 30, 2005

#### Funding Policy

The School is required by State statute to contribute to MPSERS an actuarially determined percentage of payroll for all participating employees. Additionally, employees participating in the Member Investment Plan contributed 3% to 4.3% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPSERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPSERS funding for the three-year period beginning July 1, 2002 through June 30, 2005.

	<u>Year Ended June 30,</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Funding Percentage Range	12.99%-14.87%	12.99%	12.17-12.99%
Total school, payroll	\$ 7,088,535	\$ 6,934,198	\$ 6,847,456
Total covered payroll	6,826,320	6,649,438	6,600,915
School contributions	982,787	866,810	846,249
Employee MIP contributions	174,796	174,726	174,954
Tax deferred payment program	42,197	-	-
Portion of school contribution covering health, dental and vision benefits	44%	47%	47%

#### Trend Information

Ten-year historical trend information is presented in the September 30, 2004 PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2003, the latest date for which information is available,

approximates \$ 44.8 billion and \$ 38.7 billion, respectively. The School's share of the total current actuarially determined employer contribution requirement under MPSERS was less than 1% for the year ended September 30, 2004.

#### Post Employment Benefits

In addition to the pension benefits described above, the School District provides post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPSERS).

Expenditures for these benefits are recognized on a cash disbursement basis. During the year ended September 30, 2004, statewide expenditures of \$ 666 million were recognized for post-retirement health care, dental and vision. This represented approximately 22% of the total expenditures of the Michigan Public School Employees Retirement System.

#### NOTE 11 - FUND EQUITY

Specific reservations on fund equity include:

Reserved for scholarships and loans – This reserve was created to restrict the use of resources donated for scholarships and loans. The restriction is mandated by donor agreement.

Reserved for debt service – This reserve was created to segregate a portion of the fund balance account for debt retirement, including both principal payments and interest payments. The reservation was established to satisfy legal restrictions imposed by various bond agreements.

Reserved for inventory - This reserve was created to acknowledge funds that have already been spent for resources available to subsequent periods.

**Ithaca Public Schools**  
**Notes to Financial Statements**  
**June 30, 2005**

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Designated for North Elementary's new roof – This designation is for the new roof at North Elementary.

**NOTE 12 - OPERATING LEASES**

The District has entered into an operating lease for copier equipment. Scheduled minimum lease payments amount to \$ 33,444 per year through October 2005. Rent expense of \$ 33,444 for this operating lease is recorded in the General Administrative expenditures of the District for the year ended June 30, 2005.

**NOTE 13 - CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

**NOTE 14 - SUBSEQUENT EVENT**

The School District has subsequently borrowed \$ 950,000 in short-term state aid anticipation notes through the Michigan Municipal Bond Authority. Proceeds from the borrowing will be distributed to the School District in August of 2005.

**Ithaca Public Schools**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2005**

	Budgeted Amounts		Actual	Actual over (under) final budget
	Original	Final		
Revenues				
Local	\$ 733,977	\$ 767,399	\$ 773,372	\$ 5,973
State	9,873,721	10,005,910	9,987,660	(18,250)
Federal	268,423	270,149	289,226	19,077
Interdistrict	455,154	541,171	544,981	3,810
Total revenues	11,331,275	11,584,629	11,595,239	10,610
Expenditures				
Instruction				
Basic programs	6,085,389	5,946,612	5,937,665	(8,947)
Added needs	1,405,660	1,217,645	1,275,133	57,488
Adult and continuing education	126,456	166,571	104,399	(62,172)
Supporting services				
Pupil	434,121	430,781	428,974	(1,807)
Instructional staff	141,717	141,243	141,173	(70)
General administration	754,211	745,478	742,556	(2,922)
School administration	583,337	587,771	583,758	(4,013)
Business	121,126	125,999	127,806	1,807
Operations and maintenance	1,162,206	1,098,696	1,103,434	4,738
Pupil transportation	523,477	515,196	515,367	171
Community service				
Community recreation	159,685	154,256	160,043	5,787
Other community services	5,606	52,179	52,789	610
Capital outlay	123,828	182,655	185,594	2,939
Other uses - operating transfers	196,414	197,368	198,359	991
Total expenditures and other uses	11,823,233	11,562,450	11,557,050	(5,400)
Net change in fund balance	(491,958)	22,179	38,189	16,010
Fund balance - beginning	1,886,001	1,913,204	1,913,204	-
Fund balance - ending	\$ 1,394,043	\$ 1,935,383	\$ 1,951,393	\$ 16,010



**Ithaca Public Schools**  
**Other Supplemental Information**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2005**

	Nonmajor Special Revenue Funds		Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
	Food Services	Athletics		
Assets				
Cash	\$ 80,268	\$ 5,690	\$ 91,142	\$ 177,100
Accounts receivable	3,482	-	-	3,482
Inventory	2,290	-	-	2,290
Total assets	<u>\$ 86,040</u>	<u>\$ 5,690</u>	<u>\$ 91,142</u>	<u>\$ 182,872</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 6,611	\$ -	\$ -	\$ 6,611
Accrued salaries payable	7,498	-	-	7,498
Due to other funds	26,982	-	-	26,982
Total liabilities	41,091	-	-	41,091
Fund Balance				
Reserved for debt service	-	-	91,142	91,142
Reserved for inventory	2,290	-	-	2,290
Undesignated	42,659	5,690	-	48,349
Total fund balance	<u>44,949</u>	<u>5,690</u>	<u>91,142</u>	<u>141,781</u>
Total liabilities and fund balance	<u>\$ 86,040</u>	<u>\$ 5,690</u>	<u>\$ 91,142</u>	<u>\$ 182,872</u>

**Ithaca Public Schools**  
**Other Supplemental Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2005**

	Nonmajor Special Revenue Funds		Nonmajor Debt Fund	Total Nonmajor Governmental Funds
	Food Services	Athletics		
Revenues				
Local	\$ 328,864	\$ 96,051	\$ 331,982	\$ 756,897
State	26,120	-	-	26,120
Federal	165,540	-	-	165,540
Other sources - operating transfers	-	198,359	-	198,359
Total revenues and other sources	520,524	294,410	331,982	1,146,916
Expenditures				
Food services	529,292	-	-	529,292
Athletics	-	298,515	-	298,515
Debt service	-	-	340,869	340,869
Capital outlay	9,163	-	-	9,163
Total expenditures	538,455	298,515	340,869	1,177,839
Net change in fund balance	(17,931)	(4,105)	(8,887)	(30,923)
Fund balance - beginning	62,880	9,795	100,029	172,704
Fund balance - ending	\$ 44,949	\$ 5,690	\$ 91,142	\$ 141,781

**Ithaca Public Schools  
General Fund  
Comparative Balance Sheet  
June 30, 2005 and 2004**

	June 30, 2005	2004
<b>Assets</b>		
Cash and cash equivalents	\$ 852,480	\$ 963,329
Assets held by others	28,959	26,387
Due from other funds	26,982	21,668
Due from other governmental units	1,838,042	1,773,504
<b>Total assets</b>	<b>\$ 2,746,463</b>	<b>\$ 2,784,888</b>
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 98,727	\$ 139,255
Due to employees	4,353	3,296
Due to other governmental units	-	718
Salaries payable	610,536	613,885
Accrued expenses	57,172	65,052
Deferred revenue	24,282	49,478
<b>Total liabilities</b>	<b>795,070</b>	<b>871,684</b>
<b>Fund Balance</b>		
Designated for North Elementary's new roof	200,000	200,000
Undesignated, beginning of year	1,751,393	1,713,204
<b>Total fund balance</b>	<b>1,951,393</b>	<b>1,913,204</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,746,463</b>	<b>\$ 2,784,888</b>

**Ithaca Public Schools**  
**General Fund**  
**Comparative Statement of Revenues - Budget and Actual**  
**Year Ended June 30, 2005**  
**(With Comparative Amounts for 2004)**

	Year Ended June 30, 2005			Year Ended June 30, 2004
	Budget	Actual	Over (Under) Budget	
Revenue from local sources				
Property tax levy	\$ 626,891	\$ 626,888	\$ (3)	\$ 597,730
Other taxes	31,778	31,777	(1)	25,042
Tuition	40,398	40,679	281	58,564
Earnings from investments and deposits	11,354	12,416	1,062	11,115
Recreation fees	30,959	32,362	1,403	20,079
Other local revenues	26,019	29,250	3,231	47,401
Total revenue from local sources	767,399	773,372	5,973	759,931
Revenue from state sources				
Grants - unrestricted				
State school aid	9,114,708	9,084,342	(30,366)	8,814,773
Grants - restricted				
Durant	23,585	23,585	-	23,585
Motorcycle Safety	8,850	11,077	2,227	8,850
Driver education	8,558	8,558	-	10,546
Vocational education	28,125	28,125	-	22,210
Special education foundation	378,324	406,994	28,670	384,716
At risk	176,240	175,333	(907)	229,573
Early childhood education	165,299	143,738	(21,561)	72,585
Renaissance zone	105,311	105,705	394	101,184
Other	(3,090)	203	3,293	216
Total revenue from state sources	10,005,910	9,987,660	(18,250)	9,668,238
Revenue from federal sources				
Grants received through the State and local sources				
Title I	176,667	176,113	(554)	207,744
Medicaid administration	23,754	41,860	18,106	25,642
Improving teaching quality	64,087	64,052	(35)	67,639
Technology literacy	4,738	4,476	(262)	4,738
Other	903	2,725	1,822	6,258
Total revenue from federal sources	270,149	289,226	19,077	312,021
Revenue from interdistrict sources				
County special education tax	520,968	520,968	-	360,014
Other reimbursements	20,203	24,013	3,810	11,592
Total revenue from interdistrict sources	541,171	544,981	3,810	371,606
Total revenues	\$ 11,584,629	\$ 11,595,239	\$ 10,610	\$ 11,111,796

**Ithaca Public Schools**  
**General Fund**  
**Comparative Statement of Expenditures - Budget and Actual**  
**Year Ended June 30, 2005**  
**(With Comparative Amounts for 2004)**

	Year Ended June 30, 2005			Year Ended June 30, 2004
	Budget	Actual	Over (Under) Budget	
Instruction				
Basic programs				
Elementary				
Salaries	\$ 2,092,937	\$ 2,088,722	\$ (4,215)	\$ 2,038,474
Employee benefits	824,758	820,584	(4,174)	765,688
Supplies and materials	66,831	66,273	(558)	68,286
Other	1,126	1,126	-	1,100
	<u>2,985,652</u>	<u>2,976,705</u>	<u>(8,947)</u>	<u>2,873,548</u>
High school				
Salaries	1,764,972	1,774,136	9,164	1,732,330
Employee benefits	743,542	745,587	2,045	712,049
Purchased services	172,895	172,895	-	114,404
Supplies and materials	100,324	100,372	48	92,880
Other	4,847	4,913	66	2,224
	<u>2,786,580</u>	<u>2,797,903</u>	<u>11,323</u>	<u>2,653,887</u>
Early Childhood - Preschool				
Salaries	77,271	77,255	(16)	37,592
Employee benefits	33,543	32,151	(1,392)	17,006
Purchased services	7,999	7,999	-	2,182
Supplies and materials	9,700	9,700	-	1,818
Other	21,952	11,464	(10,488)	13,459
	<u>150,465</u>	<u>138,569</u>	<u>(11,896)</u>	<u>72,057</u>
Driver Education				
Salaries	17,588	17,687	99	17,884
Employee benefits	3,645	3,701	56	3,686
Purchased services	756	1,174	418	1,388
Supplies and materials	1,926	1,926	-	2,143
	<u>23,915</u>	<u>24,488</u>	<u>573</u>	<u>25,101</u>
Added needs				
Special education				
Salaries	565,065	565,188	123	536,421
Employee benefits	198,314	242,919	44,605	218,091
Purchased services	35,836	35,829	(7)	764
Supplies and materials	9,021	9,021	-	9,353
Other	2,214	2,214	-	1,615
	<u>810,450</u>	<u>855,171</u>	<u>44,721</u>	<u>766,244</u>
Compensatory education				
Salaries	285,705	285,217	(488)	348,487
Employee benefits	113,501	125,379	11,878	146,554
Purchased services	4,536	5,888	1,352	5,647
Supplies and materials	3,453	3,478	25	5,672
	<u>407,195</u>	<u>419,962</u>	<u>12,767</u>	<u>506,360</u>

**Ithaca Public Schools**  
**General Fund**  
**Comparative Statement of Expenditures - Budget to Actual**  
**Year Ended June 30, 2005**  
**(With Comparative Amounts for 2004)**  
(Continued)

	Year Ended June 30, 2005			Year Ended June 30, 2004
	Budget	Actual	Over (Under) Budget	
Adult education				
Salaries	\$ 56,139	\$ 56,139	\$ -	\$ 46,480
Employee benefits	104,437	42,241	(62,196)	30,780
Purchased services	136	136	-	337
Supplies and materials	5,765	5,790	25	5,503
Other	94	93	(1)	133
	<u>166,571</u>	<u>104,399</u>	<u>(62,172)</u>	<u>83,233</u>
Total Instruction	<u>7,330,828</u>	<u>7,317,197</u>	<u>(13,631)</u>	<u>6,980,430</u>
Supporting Services				
Pupil				
Guidance services				
Salaries	188,826	188,852	26	184,170
Employee benefits	81,588	80,224	(1,364)	73,951
Purchased services	2,337	2,335	(2)	321
Supplies and materials	811	810	(1)	925
Other	180	180	-	1,233
	<u>273,742</u>	<u>272,401</u>	<u>(1,341)</u>	<u>260,600</u>
Health services				
Purchased services	1,442	1,443	1	733
Supplies and materials	525	525	-	480
	<u>1,967</u>	<u>1,968</u>	<u>1</u>	<u>1,213</u>
Speech Pathology				
Salaries	66,762	66,762	-	65,651
Employee benefits	16,477	15,523	(954)	15,256
Purchased services	136	136	-	179
Supplies and materials	383	383	-	708
	<u>83,758</u>	<u>82,804</u>	<u>(954)</u>	<u>81,794</u>
Social Work services				
Salaries	56,535	56,535	-	53,838
Employee benefits	13,418	13,906	488	13,056
Purchased services	910	909	(1)	540
Supplies and materials	451	451	-	457
	<u>71,314</u>	<u>71,801</u>	<u>487</u>	<u>67,891</u>
Instructional staff				
Library				
Salaries	76,066	76,712	646	74,320
Employee benefits	33,191	32,476	(715)	30,490
Purchased services	65	65	-	53
Supplies and materials	23,662	23,661	(1)	21,580
Other	7,330	7,330	-	7,450
	<u>140,314</u>	<u>140,244</u>	<u>(70)</u>	<u>133,893</u>

**Ithaca Public Schools**  
**General Fund**  
**Comparative Statement of Expenditures - Budget to Actual**  
**Year Ended June 30, 2005**  
**(With Comparative Amounts for 2004)**  
(Continued)

	Year Ended June 30, 2005		
	Budget	Actual	Over (Under) Budget
Audiovisual			
Purchased services	\$ 435	\$ 435	\$ -
Supplies and materials	494	494	-
	<u>929</u>	<u>929</u>	<u>-</u>
General administration			
Board of education			
Salaries	108,639	105,964	(2,675)
Employee benefits	7,650	7,459	(191)
Purchased services	24,745	24,744	(1)
Supplies and materials	2,553	2,588	35
Other	8,845	9,752	907
	<u>152,432</u>	<u>150,507</u>	<u>(1,925)</u>
Executive administration			
Salaries	192,630	194,380	1,750
Employee benefits	106,925	104,082	(2,843)
Purchased services	98,461	101,879	3,418
Supplies and materials	146,202	142,681	(3,521)
Other	3,814	4,013	199
	<u>548,032</u>	<u>547,035</u>	<u>(997)</u>
School administration			
Office of the principal			
Salaries	385,871	384,983	(888)
Employee benefits	173,155	167,975	(5,180)
Purchased services	5,145	5,531	386
Supplies and materials	20,534	22,171	1,637
Other	3,066	3,098	32
	<u>587,771</u>	<u>583,758</u>	<u>(4,013)</u>
Technology Specialist			
Salaries	45,014	45,014	-
	<u>45,014</u>	<u>45,014</u>	<u>-</u>
Fiscal services			
Salaries	42,872	45,295	2,423
Employee benefits	25,945	25,331	(614)
Purchased services	1,200	1,200	-
	<u>70,017</u>	<u>71,826</u>	<u>1,809</u>
Other business services			
Purchased services	38,231	38,231	-
Other	17,751	17,749	(2)
	<u>55,982</u>	<u>55,980</u>	<u>(2)</u>

**Ithaca Public Schools**  
**General Fund**  
**Comparative Statement of Expenditures - Budget to Actual**  
**Year Ended June 30, 2005**  
**(With Comparative Amounts for 2004)**  
(Continued)

	Year Ended June 30, 2005			Year Ended June 30, 2004
	Budget	Actual	Over (Under) Budget	
Operation and maintenance of plant				
Salaries	\$ 397,285	\$ 401,609	\$ 4,324	\$ 418,783
Employee benefits	199,463	201,825	2,362	229,416
Purchased services	225,146	223,471	(1,675)	240,489
Supplies and materials	276,727	276,454	(273)	268,704
Other	75	75	-	-
	<u>1,098,696</u>	<u>1,103,434</u>	<u>4,738</u>	<u>1,157,392</u>
Pupil transportation services				
Salaries	290,259	291,513	1,254	299,501
Employee benefits	97,221	95,882	(1,339)	89,985
Purchased services	26,251	26,308	57	23,465
Supplies and materials	96,325	96,320	(5)	85,471
Other	5,140	5,344	204	5,084
	<u>515,196</u>	<u>515,367</u>	<u>171</u>	<u>503,506</u>
Total Supporting Services	<u>3,645,164</u>	<u>3,643,068</u>	<u>(2,096)</u>	<u>3,643,249</u>
Community Services				
Community recreation				
Salaries	93,224	97,787	4,563	84,536
Employee benefits	24,581	24,695	114	21,262
Purchased services	9,078	10,193	1,115	3,304
Supplies and materials	26,428	26,394	(34)	27,373
Other	945	974	29	20
	<u>154,256</u>	<u>160,043</u>	<u>5,787</u>	<u>136,495</u>
Other Community Services				
Salaries	34,122	34,754	632	43,432
Employee benefits	15,147	15,126	(21)	14,189
Purchased services	1,536	1,536	-	1,878
Supplies and materials	1,374	1,373	(1)	1,429
	<u>52,179</u>	<u>52,789</u>	<u>610</u>	<u>60,928</u>
Total Community Services	<u>206,435</u>	<u>212,832</u>	<u>6,397</u>	<u>197,423</u>
Intergovernmental payments - tuition	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,922</u>
Capital Outlay				
Instruction				
Basic instruction	23,911	23,932	21	6,652
Added needs	1,180	1,305	125	1,070
	<u>25,091</u>	<u>25,237</u>	<u>146</u>	<u>7,722</u>



**Ithaca Public Schools**  
**General Fund**  
**Comparative Statement of Expenditures - Budget and Actual**  
**Year Ended June 30, 2005**  
**(With Comparative Amounts for 2004)**  
(Concluded)

	Year Ended June 30, 2005			Year Ended June 30, 2004
	Budget	Actual	Over (Under) Budget	
Support				
Pupil services	140	140	-	3,723
Instructional staff	6,441	6,440	(1)	7,081
General administration	78,201	80,996	2,795	145,517
Principals	843	842	(1)	669
Fiscal services	1,695	1,695	-	-
Operations/maintenance services	8,952	8,952	-	11,824
Transportation services	61,292	61,292	-	85,163
	<u>157,564</u>	<u>160,357</u>	<u>2,793</u>	<u>253,977</u>
Total Capital Outlay	<u>182,655</u>	<u>185,594</u>	<u>2,939</u>	<u>261,699</u>
Other Financing Uses				
Fund modification				
Operating transfer	<u>197,368</u>	<u>198,359</u>	<u>991</u>	<u>206,103</u>
Total Expenditures and Other Financing Uses	<u>\$ 11,562,450</u>	<u>\$ 11,557,050</u>	<u>\$ (5,400)</u>	<u>\$ 11,300,826</u>

**Ithaca Public Schools  
Special Revenue Funds  
Combining Balance Sheet  
June 30, 2005 and 2004**

	June 30, 2005			Total June 30, 2004
	Food Service	Athletics	Total	
<b>Assets</b>				
Cash and equivalents	\$ 80,268	\$ 5,690	\$ 85,958	\$ 98,198
Accounts receivable	3,482	-	3,482	3,566
Inventory	2,290	-	2,290	1,967
<b>Total Assets</b>	<u>\$ 86,040</u>	<u>\$ 5,690</u>	<u>\$ 91,730</u>	<u>\$ 103,731</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 6,611	\$ -	\$ 6,611	\$ 3,058
Salaries payable	7,498	-	7,498	6,305
Due to other governmental units	-	-	-	25
Due to general fund	26,982	-	26,982	21,668
<b>Total liabilities</b>	<u>41,091</u>	<u>-</u>	<u>41,091</u>	<u>31,056</u>
<b>Fund Balance</b>	<u>44,949</u>	<u>5,690</u>	<u>50,639</u>	<u>72,675</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 86,040</u>	<u>\$ 5,690</u>	<u>\$ 91,730</u>	<u>\$ 103,731</u>

**Ithaca Public Schools**  
**Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Year Ended June 30, 2005**  
**(With Comparative Totals for 2004)**

	Year Ended June 30, 2005						Total Year Ended June 30, 2004
	Food Service		Athletics		Totals		
	Budget	Actual	Budget	Actual	Budget	Actual	
Revenues							
Local sources	\$ 321,025	\$ 328,864	\$ 95,651	\$ 96,051	\$ 416,676	\$ 424,915	\$ 429,488
State sources	29,471	26,120	-	-	29,471	26,120	25,602
Federal sources	148,533	165,540	-	-	148,533	165,540	168,953
Total revenues	<u>499,029</u>	<u>520,524</u>	<u>95,651</u>	<u>96,051</u>	<u>594,680</u>	<u>616,575</u>	<u>624,043</u>
Expenditures							
Salaries	179,226	186,843	136,458	140,314	315,684	327,157	312,727
Employee benefits	56,277	56,937	31,603	28,565	87,880	85,502	71,536
Purchased services	23,700	23,678	4,799	4,798	28,499	28,476	26,720
Supplies and materials	248,614	260,567	118,228	118,361	366,842	378,928	387,399
Other expense	1,000	1,267	6,478	6,477	7,478	7,744	2,853
Capital outlay	7,191	9,163	-	-	7,191	9,163	2,993
Total expenditures	<u>516,008</u>	<u>538,455</u>	<u>297,566</u>	<u>298,515</u>	<u>813,574</u>	<u>836,970</u>	<u>804,228</u>
Other Financing Sources							
Operating transfer	<u>-</u>	<u>-</u>	<u>197,368</u>	<u>198,359</u>	<u>197,368</u>	<u>198,359</u>	<u>206,103</u>
Excess (deficiency) of revenues and other financing sources over expenditures	(16,979)	(17,931)	(4,547)	(4,105)	(21,526)	(22,036)	25,918
Fund Balance - July 1	<u>62,880</u>	<u>62,880</u>	<u>9,795</u>	<u>9,795</u>	<u>72,675</u>	<u>72,675</u>	<u>46,757</u>
Fund Balance - June 30	<u>\$ 45,901</u>	<u>\$ 44,949</u>	<u>\$ 5,248</u>	<u>\$ 5,690</u>	<u>\$ 51,149</u>	<u>\$ 50,639</u>	<u>\$ 72,675</u>

**Ithaca Public Schools  
Debt Service Fund  
Comparative Balance Sheet  
June 30, 2005 and 2004**

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	June 30,	
	<u>2005</u>	<u>2004</u>
Assets		
Cash	<u>\$    91,142</u>	<u>\$   100,029</u>
 Fund Balance	 <u>\$    91,142</u>	 <u>\$   100,029</u>

**Ithaca Public Schools**  
**Debt Service Fund**  
**Comparative Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Year Ended June 30, 2005 and 2004**

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	Year Ended June 30,	
	2005	2004
Revenues		
Local sources		
Property tax levy	\$ 328,653	\$ 343,960
Interest revenue	657	939
Other	2,672	3,356
Total revenues	<u>331,982</u>	<u>348,255</u>
Expenditures		
Redemption of bonds	180,000	170,000
Interest on debt	160,798	167,173
Other transactions	71	51
Total expenditures	<u>340,869</u>	<u>337,999</u>
Excess (deficiency) of revenues over expenditures	(8,887)	10,256
Fund Balance - July 1	<u>100,029</u>	<u>89,773</u>
Fund Balance - June 30	<u>\$ 91,142</u>	<u>\$ 100,029</u>

**Ithaca Public Schools  
Trust and Agency Funds  
Combining Balance Sheet  
June 30, 2005 with comparative totals for 2004**

	June 30, 2005				
	Private Purpose Trust Funds		Agency Funds		
	Expendable Trust Funds	Nonexpendable Trust Funds	Student Activity Funds	Total	Total June 30, 2004
Assets					
Cash and cash equivalents	\$ 17,706	\$ 48,180	\$ 145,498	\$ 211,384	\$ 269,635
Liabilities and Fund Balance					
Liabilities					
Due to student groups	\$ -	\$ -	\$ 145,498	\$ 145,498	\$ 207,053
Fund Balance	17,706	48,180	-	65,886	62,582
Total Liabilities and Fund Balance	\$ 17,706	\$ 48,180	\$ 145,498	\$ 211,384	\$ 269,635

**Ithaca Public Schools**  
**Private Purpose Trust Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Year Ended June 30, 2005**  
**(With Comparative Totals for 2004)**

	E.E. Down Memorial Fund	Kristyn Ahern Memorial Fund	John Barden Memorial Fund	Carpenter Memorial Fund	Chaffin/ Portner Fund	Bernie Coe Memorial Fund	Totals	
							For the Year Ended June 30,	
							2005	2004
Revenues								
Contributions	\$ 250	\$ 938	\$ 250	\$ 331	\$ 290	\$ 17	\$ 2,076	\$ 1,118
Expenditures								
Awards	250	200	250	300	295	1,000	2,295	2,345
Excess (deficiency) of revenues over expenditures	-	738	-	31	(5)	(983)	(219)	(1,227)
Fund Balance - July 1	505	3,891	3,110	21,012	18,591	1,290	48,399	49,626
Fund Balance - June 30	<u>\$ 505</u>	<u>\$ 4,629</u>	<u>\$ 3,110</u>	<u>\$ 21,043</u>	<u>\$ 18,586</u>	<u>\$ 307</u>	<u>\$ 48,180</u>	<u>\$ 48,399</u>

**Ithaca Public Schools**  
**Private Purpose Trust Funds**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**Year Ended June 30, 2005**  
**(With Comparative Totals for 2004)**

	Frank Stone Fund	Randall Johnson Fund	Rich Ebright Fund	Totals For the Year Ended June 30,	
				2005	2004
Revenues					
Contributions	\$ 17	\$ 58	\$ 5,298	\$ 5,373	\$ 10,415
Expenditures					
Awards	350	500	1,000	1,850	1,850
Excess (deficiency) of revenues over expenditures	(333)	(442)	4,298	3,523	8,565
Fund Balance - July 1	1,142	3,682	9,359	14,183	5,618
Fund Balance - June 30	\$ 809	\$ 3,240	\$ 13,657	\$ 17,706	\$ 14,183



**Ithaca Public Schools**  
**Agency Fund**  
**Changes in Amounts Due to Student Groups**  
**Year Ended June 30, 2005**

	Due to Student Groups <u>July 1, 2004</u>	Cash Receipts <u></u>	Cash Disbursements <u></u>	Due to Student Groups <u>June 30, 2005</u>
Activity Funds				
High School Accounts				
Annals	\$ 8,714	\$ 20,732	\$ 16,955	\$ 12,491
Art Department	(125)	-	-	(125)
Band Department	2,521	15,466	15,637	2,350
Basketball fundraiser	385	-	330	55
Beverage account	48,916	10,459	38,517	20,858
B.P.A.	4,529	21,722	25,951	300
Cadet Teachers	46	-	-	46
Cheerleaders	607	10,283	8,738	2,152
Choral Music	1,293	3,745	4,986	52
Class of 1997	1,584	-	-	1,584
Class of 2001	2,910	-	-	2,910
Class of 2003	1,047	-	-	1,047
Class of 2004	1,082	69	1,151	-
Class of 2005	2,750	11,116	12,117	1,749
Class of 2006	1,231	5,370	3,419	3,182
Class of 2007	(253)	325	1,614	(1,542)
Class of 2008	-	2,157	1,752	405
Drama	1,040	730	813	957
50-50 account	1,989	2,066	100	3,955
Future Farmers of America	(1,912)	27,475	33,352	(7,789)
Germany trip	74	849	1,370	(447)
Graduation	4,491	9,863	13,114	1,240
Growler	3,016	8,672	7,167	4,521
Industrial arts	2,198	1,780	51	3,927
Interest account	24,042	2,861	-	26,903
Junior High	2,120	5,497	7,283	334
Jr. High Student Coun.	1,509	-	-	1,509
JV Cheerleaders	-	130	130	-
Library	5,388	3,832	5,911	3,309
Mahoney memorial	69	-	-	69
Multi-Cultural Club	649	-	-	649
Musical Production	3,504	4,090	3,428	4,166
Nat'l Forensic League	114	-	-	114
National Honors Society	54	570	570	54
Pep club	129	-	-	129

**Ithaca Public Schools**  
**Agency Fund**  
**Changes in Amounts Due to Student Groups**  
**Year Ended June 30, 2005**  
(Concluded)

	Due to Student Groups July 1, 2004	Cash Receipts	Cash Disbursements	Due to Student Groups June 30, 2005
Activity Fund				
Pom Pon Squad	\$ 423	\$ 9,131	\$ 8,849	\$ 705
Principals account	42	288	38	292
S.A.D.D.	16	-	-	16
S.A.F.E.	1,553	-	137	1,416
Special football	5,899	10,633	11,835	4,697
Student Council	3,397	4,041	4,253	3,185
Super Mileage Club	4	-	-	4
Teacher wellness	315	1,174	847	642
Textbooks	789	1,884	1,206	1,467
Varsity Club	722	13,646	12,766	1,602
Video club	1,287	-	-	1,287
	<u>140,158</u>	<u>210,656</u>	<u>244,387</u>	<u>106,427</u>
Total High School accounts				
Elementary Accounts				
South Elementary	29,691	17,926	26,219	21,398
North Elementary	37,204	53,423	72,954	17,673
	<u>66,895</u>	<u>71,349</u>	<u>99,173</u>	<u>39,071</u>
Total Elementary				
Total Activity Funds	<u>\$ 207,053</u>	<u>\$ 282,005</u>	<u>\$ 343,560</u>	<u>\$ 145,498</u>

**Ithaca Public Schools**  
**Schedule of Bond Indebtedness**  
**June 30, 2005**

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DATE OF ISSUE - 1998

ORIGINAL AMOUNT OF ISSUE - \$ 235,847

PURPOSE OF ISSUE - Settlement for Durant.

<u>Interest Rate</u>	<u>Fiscal Year</u>	<u>Annual Maturity May 15th</u>	<u>Annual Interest Payments May 15th</u>	<u>Total Fiscal Year Requirements</u>
4.761%	2005-06	11,416	5,146	16,562
4.761%	2006-07	11,957	4,602	16,559
4.761%	2007-08	55,124	23,032	78,156
4.761%	2008-09	13,126	3,437	16,563
4.761%	2009-10	13,750	2,812	16,562
4.761%	2010-11	14,405	2,157	16,562
4.761%	2011-12	15,089	1,471	16,560
4.761%	2012-13	15,807	753	16,560
		<u>\$ 150,674</u>	<u>\$ 43,410</u>	<u>\$ 194,084</u>

**Ithaca Public Schools**  
**Schedule of Bond Indebtedness**  
**June 30, 2005**

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DATE OF ISSUE - 1999

ORIGINAL AMOUNT OF ISSUE - \$ 3,910,000

PURPOSE OF ISSUE - For the purpose of refunding the portion of the School District's outstanding 1993 School Building and Site Bonds, dated March 1, 1993, which are due and payable May 1, 2004 through May 1, 2010, inclusive, May 1, 2015 and May 1, 2021 (the "Prior Bonds"); and to pay the costs of issuing the Bonds.

Interest Rate	Fiscal Year	Annual Maturity May 1st	Semi-Annual Interest Payments		Total Fiscal Year Requirements
			November 1st	May 1st	
3.950%	2005-06	190,000	76,934	76,934	343,868
4.050%	2006-07	195,000	73,181	73,181	341,362
4.100%	2007-08	200,000	69,232	69,232	338,464
4.150%	2008-09	210,000	65,133	65,133	340,266
4.200%	2009-10	220,000	60,775	60,775	341,550
4.300%	2010-11	220,000	56,155	56,155	332,310
4.350%	2011-12	220,000	51,425	51,425	322,850
4.450%	2012-13	220,000	46,640	46,640	313,280
4.550%	2013-14	220,000	41,745	41,745	303,490
4.600%	2014-15	220,000	36,740	36,740	293,480
4.650%	2015-16	220,000	31,680	31,680	283,360
4.700%	2016-17	220,000	26,565	26,565	273,130
4.750%	2017-18	220,000	21,395	21,395	262,790
4.900%	2018-19	220,000	16,170	16,170	252,340
4.900%	2019-20	220,000	10,780	10,780	241,560
4.900%	2020-21	220,000	5,390	5,390	230,780
		<u>\$ 3,435,000</u>	<u>\$ 689,940</u>	<u>\$ 689,940</u>	<u>\$ 4,814,880</u>



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**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on  
an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Members of the Board of Education  
Ithaca Public Schools  
Ithaca, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for Ithaca Public Schools as of and for the year ended June 30, 2005, and have issued our report thereon dated August 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Ithaca Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.



### Compliance

As part of obtaining reasonable assurance about whether the Ithaca Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management and related regulatory agencies and is not intended for and should not be used by anyone other than those specified parties.

*Yeo & Yeo, P.C.*

Alma, Michigan  
August 25, 2005